

**ALTERNATIVE NO. 2**

**NRO Instruction No. 1**

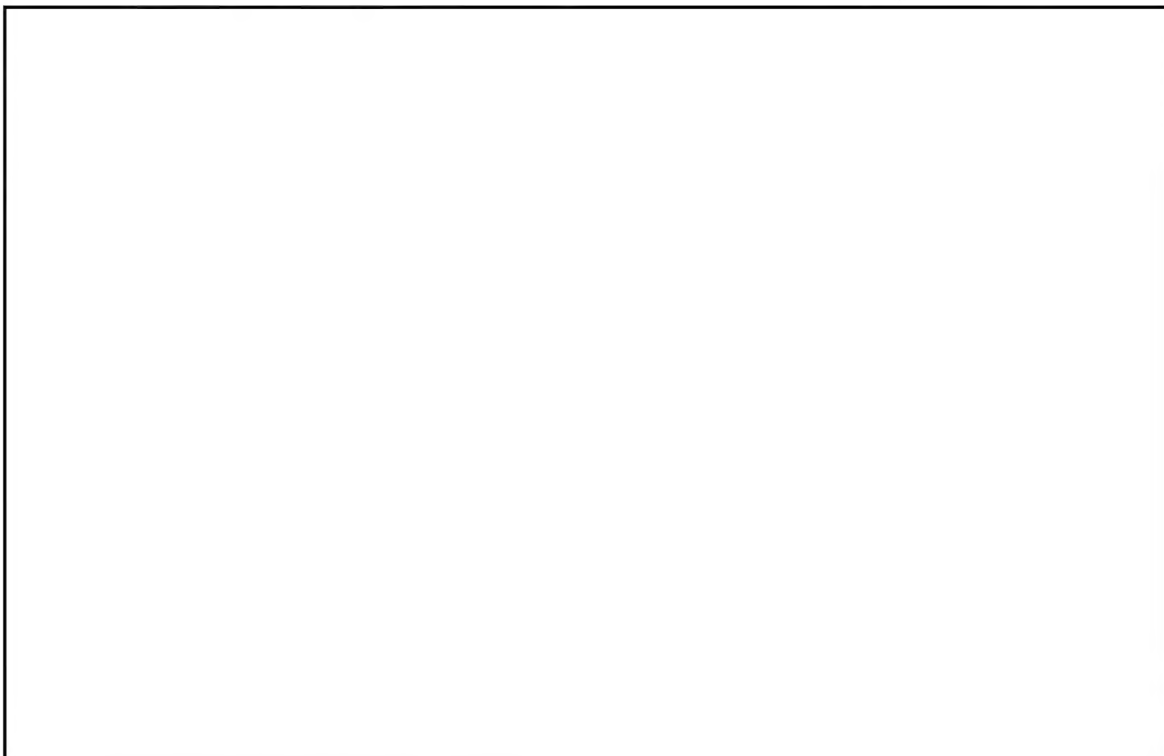
**SUBJECT : Procedures for CIA Budgeting for the National  
Reconnaissance Program**

**REFERENCE: DCI - Deputy Secretary of Defense NRO Agreement,  
13 March 1963**

**1. Purpose: To implement budgeting arrangements governing  
the inclusion and earmarking within the CIA budget of monies to cover  
NRO assigned tasks as required under paragraphs III. K. and L. of the  
above reference.**

**2. Procedures:**

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**NRO review(s) completed.**

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d. CIA will administer NRO assigned tasks separately from its regular programs and will obtain apportionment of such anticipated reimbursements from the Bureau of the Budget.

e. CIA will continue to account separately for funds which may be advanced by the NRO in support of non-CIA assigned tasks, but which are transferred to the Agency by NRO for security or other reasons.

3. Implementation:

a. The above procedures are to be effective commencing with the Fiscal Year 1964 budget.

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c. Any additional funds required in FY 1963 to finance

the CIA tasks in the NRP will be made available in the form of reimbursements from the NRO.

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Director, National Reconnaissance Office

20 MarchWORKING PAPER

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Comments by H. Scoville on NRO Funding paper dated 19 March 1963

1. I do not believe that the proposed NRO Instruction goes far enough in terms of providing guarantees to the DNRO that he will have under this situation reasonable management control of the funds. I believe we should specifically include the following provisions:

- a) The proposed CIA budgeted funds will be approved by the DNRO prior to submission to higher authority.
- b) Funds appropriated to CIA for the NRP will not be reprogrammed outside the NRP without concurrence by Sec/Def and DCI.
- c) Funds appropriated to CIA for the NRP will not be reprogrammed from 1 NRP line item to another without approval of the DNRO.
- d) CIA will provide to the DNRO on a regular basis an accounting of the expenditure of the funds in any manner desired by the DNRO.
- e) Requests for funds in excess of those budgeted for any line item will be requested as a reimbursement from the DOD.
- f) Excess funds in the CIA/NRO budget will be made available as directed by the DNRO for any other approved NRO programs.

2. The following are counter arguments to Bross' views:

- a) The proposal which would place the CIA/NRO funds under CIA new obligational authority does not, in my opinion, conflict with the philosophy that there should be a centralized control over the NRP and its funding as long as the procedures in my amended Instruction No. 1 above are followed. This provides the NRO with control over the funds during the preparation of the budget, the presentation of the budget and continuously in the expenditure of the funds. It clearly places the

authority for any reprogramming away from approved NRO activities in the hands of the DNRO. However, it does avoid the necessity of requiring CIA every time it wishes to expend funds under an approved program for going back and getting explicit approval with all of the delays that such procedures would entail. The success and speed of the CIA reconnaissance program in the past has been in many ways directly related to the streamlined management procedures under which it is operated. If the NRO review of each expenditure were not to delay the program, then it, of necessity, would be perfunctory and of no value. If it were detailed, then prolonged delays, extensive briefings, discussions and time-wasting sessions would inevitably occur. Examples of this type of situation have occurred over and over again during the past year with serious effects on the program. (Note: OSA - please give me some specific examples.)

b) So far as 1963 is concerned, it is absolutely essential that this matter get cleared up. The principle that the DOD can withhold funds which have been legally appropriated to us and apportioned to us by the BOB cannot be allowed to stand.

c) I believe that the integrity of the program funds required by CIA cannot be so easily maintained by a joint arrangement with the NRO in the form of an instruction (paragraph 8 b of Bross' conclusions). It seems extremely unlikely that I would be able to negotiate such an instruction without having any authoritative backing when the Agency has not succeeded in doing so when it has the legal backing of a Congressional appropriation, an apportionment by the BOB, and a flat statement to the DCI by Mr. McNamara in my presence that the only thing he was worried about was that he didn't wish the CIA portion of the NRO funds to be diverted to non-NRO activities.

d) In view of this, I believe that the last provided clause in paragraph 8c is a very strong provision which can probably not be relied on.

Dictated but not read by

Dr. Scoville

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- # 1 -
- # 2 - Col. Giller
- # 3 - OSA
- # 4 -

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MEMORANDUM FOR: Deputy Director (Research)

Herewith is copy of a memorandum of conversation between [redacted] and the Deputy Comptroller of the Defense Department concerning Defense Department attitudes towards NRO budgeting. I have sent the original to Walt Elder for the DCI.

[redacted]  
JOHN A. BROSS  
Comptroller

Attachment

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